

Identifying and Solving the Entrepreneur Resource Gap in Atlanta

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Introduction

Small businesses are the prime creators of jobs in the United States, as 72.1% of new jobs created from 1993-2006 are located within firms smaller than 20 employees (SBA, 2010). In an economy desperate for job growth, providing essential resources to these small businesses to ensure their success should be a key priority. There are numerous resources for entrepreneurs throughout Atlanta, but it is still of importance to identify demand gaps that may exist. This paper identifies resources available in Atlanta, examines underserved industries, and prescribes a solution to fill the necessary entrepreneur resource demand gap.

The paper begins with a review of each of existing resources within Atlanta, with a particular focus on the accelerator/incubator and co-working spaces to conclude the type, quality, and number of resources available to start up businesses. After performing the study on available resources, an analysis uncovers the “market” of entrepreneurs seeking assistance in Atlanta. Census County Business Patterns data are used to determine the distribution of industries and number of employees per firm in the study area. The data provides a snapshot of the current economic patterns in Metro Atlanta. Using the data, along with a further industry analysis yields a target set of industries requiring additional entrepreneurial resources.

This paper includes a detailed business plan outlining all operational features of a new, proposed resource to fill a demand gap for entrepreneurial resources in Atlanta. This plan describes services to be offered, the location of the resources, marketing strategies, governance and staffing issues, operational procedures, and a financial analysis and projections to promote sustainability of the program.

Kin Business Plan

Executive Summary

Kin, Atlanta's first and only mixed-use business incubator, will serve the purpose of assisting entrepreneurial ventures throughout the metro Atlanta region. Atlanta is rich with the entrepreneurial spirit and providing the basic resources to assist startups through their early and often trying years. However, there remains a resource gap for metro Atlantan entrepreneurs who are not engaged in either social enterprises or technology-based industries. KIN will fulfill this demand by providing some of the most detailed and high quality resources to entrepreneurs in every industry. Welcome to Kin, Atlanta's startup family.

Mission Statement & Goals

Mission Statement

To serve Atlanta entrepreneurs in their start up and growth phases through business resources and education. We will create a culture, community, and family of successful start up businesses.

Goals

The goals described below provide quantifiable and measurable success of Kin to achieve its purpose and mission. These metrics provide a way to measure Kin's growth and success over time. Goals will be set annually by the board of directors based off prior year results and current economic conditions for each of these items.

1. Number of jobs retained and created by Kin client companies
2. Revenue generated by Kin client companies
3. Success rate of graduated companies (still in business, merged, acquired, etc.)
4. Graduated company jobs created and retained within the Atlanta region

In its first fiscal year, Kin will set a goal of 10 client companies assuming residence in the business incubator and an additional 10 clients registered as non-residents. The total of 20 tenant and non-tenant clients will create 30 jobs to be retained over the following 5 years. Revenue generation goals will be set upon completion of the first fiscal year at a growth rate established by the board of directors. Graduated company goals will be established by the board of directors beginning at the annual meeting immediately following the first company graduation.

Long-term goals for Kin include quantitative goals in each of the four primary metrics and qualitative goals for the entrepreneurial climate of the City and region of Atlanta. Among quantitative goals, Kin aspires to create and retain 5,000 jobs in its first 10 years and to have a graduated client success rate (either continuing operations or merged/acquired) of 90%. Qualitative goals include pushing Atlanta to the upper echelon of business and entrepreneur friendly environments in the United States. In addition to technology business support provided by many currently existing organizations in Atlanta, Kin will provide the highest quality business support to all businesses and entrepreneurs ready to start their business in Atlanta.

Client Focus

Atlanta is one of the most business friendly cities in one of the most business friendly states in the United States. Over the years, Atlanta has continuously received accolades for the environment it creates for businesses. Awards received in 2011 include:

- fDi Magazine. #3 Top 10 Major Cities Business Friendliness
- Kauffman Foundation. #2 Top 10 Metros for Entrepreneurial Activity
- American Express. #9 Top 10 Cities for Small Business Vitality
- Forbes. #1 Top 10 Metros for Minority Entrepreneurs
- US Census Bureau. #8 Top 10 Cities for Small Businesses
- Site Selection Magazine. #2 Top 10 States for Business Climate
- US Chamber of Commerce. #1 Enterprising States-Entrepreneurial Activity

It is clear that media outlets and other organizations view Atlanta as a core city for entrepreneurship. In order to understand the current entrepreneurial climate, a few of the existing entrepreneur resources must be described. These resources include existing business incubators, coworking spaces, government resources and community development financial institutions.

Invest Atlanta, Atlanta's Development Authority, developed and launched Startup Atlanta in partnership with a group of private business resource organizations in 2011. Invest Atlanta and these entrepreneur resources determined the need to build Atlanta's entrepreneurial environment and create a one-stop-shop for entrepreneurs seeking assistance. The four primary projects undertaken by Start Up Atlanta are:

1. Build an entrepreneurship ecosystem asset map
2. Create more connections to angel investors and venture capital funding opportunities
3. Collect and share the Atlanta entrepreneurial story
4. Connect corporations with entrepreneurs and innovation

The asset map, seen in Figure 1 below, is the first project Startup Atlanta undertook to assist entrepreneurs. While new additions to the map are continually accepted, the current form provides information on most of the resources available within Metro Atlanta. This map displays entrepreneur resources within Atlanta, classified by the types of services they provide. Using the Startup Atlanta Asset Map, and other personal research, I have described each of the most important entrepreneur resources in further detail.

Figure 1: Startup Atlanta Map



Source: Startup Atlanta, 2012

Business Incubators

Business incubators are one of the leading institutional forms of entrepreneur assistance both domestically and internationally. Business incubators offer startup ventures a variety of resources including, but not limited to: discounted office space for a limited time, free business consulting, shared equipment, and usually play host to several anchor tenants whom provide further technical assistance or financial resources to incubator clients. The concept of a business incubator is to provide assistance and lower overhead costs for entrepreneurs within their first formidable years. Upon gaining financial sustainability, these businesses graduate from the incubator and, ideally remain within the local economy generating both jobs and tax revenue. The formula has been successful. The National Business Incubator Association estimates that business incubator graduates have a success rate of 87% (versus 33%) and 84% of graduates establish themselves within the same area as the incubator (NBIA, 2012).

Business incubators can vary in ownership from university ownership to non-profit economic development organization ownership to situations in which private incubators accept a certain equity stake in the venture in exchange for space and services. Additionally, incubators can serve specific industries, such as technology, or can serve in a mixed-use capacity, welcoming all industries.

Atlanta is home to several successful business incubators varying across these many types of ownership and operation. A comprehensive list and description of metro Atlanta business incubators is listed below.

- **Advanced Technology Development Center (ATDC):** The ATDC, located in Tech Square within Midtown, was founded in 1980 by the Georgia Institute of Technology as a business incubator aimed at serving technology ventures in Atlanta. Since its

inception, the ATDC has graduated more than 130 companies who have raised over a billion dollars in outside financing. The ATDC is an award-winning program (NBIA) with a plethora of technology and engineering resources available to their client companies.

- **Points of Light Civic Incubator:** As one of the many services offered by the Points of Light non-profit organization, the Civic Incubator is a startup incubator exclusively focused on civic ventures or social enterprises. The Civic Incubator is located on the quickly growing Westside of Atlanta on Marietta Street. Services provided to Civic Incubator clients include mentoring, peer support, networking, financial investments, and office space.
- **Greenhouse:** The Greenhouse, located in Midtown, is a business accelerator founded by the Green Chamber of the South. Accelerators are a form of business incubator in which incubation periods tend to be much shorter and condense the growth of businesses into a shorter period of time than incubators. Greenhouse focuses on green start-ups, and growing companies looking for assistance in sustainable business practices. Their definition of green enterprises is defined as “products, services or processes that increase the use of renewable energy; reduce greenhouse gas emissions; promote alternative commuting modes; reduce the use of water, energy or toxic materials; reduce waste; conserve forests; or improve the social impacts of the company’s activities” (Greenhouse Accelerator, 2012). Services provided include free mentoring and networking opportunities at no cost.
- **Flashpoint:** Flashpoint is another Georgia Tech resource that serves more as an accelerator for existing companies looking to expand. While they accept applicants from all industries, they focus on technology startups. Flashpoint focuses on matching technology ventures with funding from venture capital firms, angel investors or other sources. They only accept a select number of firms for each cohort, selecting businesses they view as highly viable and apt for quick and sustainable growth.
- **CollabTech:** CollabTech is a business incubator developed by Georgia State University. CollabTech provides facility space for biotechnology startup ventures, including laboratory space, equipment, administrative offices and conference rooms. In addition, clients gain access to faculty within Georgia State University for scientific expertise.
- **The Founder Machine:** Developed as a virtual business accelerator for disadvantaged entrepreneurs, The Founder Machine aims to create a “level playing field” for every individual interested in starting their own business. The program operates as an 8-week course whereby the entrepreneurs will launch their business through mentoring and regularly scheduled classes.

Coworking Spaces

Coworking spaces are a relatively new format of utilizing a large shared space to assist entrepreneurs. The key principle of a coworking space is a large, open office environment in which entrepreneurs can rent space (usually in the form of single desks) for a much lower rate than the overhead costs associated with rental or purchase of an entire office. Additionally, entrepreneurs receive benefits through sharing space with other entrepreneurs who may be experiencing similar problems, or have already solved similar problems within their own businesses. Unfortunately, these organizations often lack the anchor tenants and technical services that business incubators provide.

- **Atlanta Tech Village:** As the newest entrant to the startup resource community in Atlanta, Atlanta Tech Village has made a large splash purchasing over 103,000 square feet of office space in Buckhead. The space is reserved for technology startups to use and is a mix of both coworking space and private office space. Additionally, they hold events aimed at networking, and idea exchanging.
- **HUB Atlanta:** With a focus on social enterprises, HUB Atlanta provides co-working space, consulting and regular events to assist these enterprises. Their office is located across from Oakland Cemetery in the Grant Park neighborhood. Events include debates, lectures and other formats meant to inspire new ideas for both clients and community members interested in social entrepreneurship.
- **200 Office:** Located in the heart of Downtown, 200 Office offers co-working space to all industries. In addition to co-working space, 200 Office provides affiliate businesses (such as lawyers and accountants), and the Stage 2 Business Accelerator to fast track the growth of small businesses.
- **Experience Rethink Cowork:** Located in the Grant Park neighborhood of Atlanta, this coworking space shares a facility with the Experience Rethink design firm.
- **Ignition Alley:** Located in the Virginia-Highlands neighborhood, Ignition Alley defines itself as “a coworking space and business community where entrepreneurs, freelancers and others types can establish their primary or secondary office in a community-focused collaborative environment” (Ignition Alley, 2012).
- **Bean Work Play Café:** Located in the inner-ring suburb of Decatur, Bean Work Play Café serves as a coworking space targeted at parents with younger children. They offer a childcare program in conjunction with the coworking space for parents interested in starting their businesses.
- **Locust 151:** A coworking space located in Avondale Estates, which primarily serves startups in the mobile technology industry. They also manage an investment fund used to seed technology startups in Atlanta.
- **Strongbox West:** Located in West Midtown, Strongbox West defines itself as, “Part office, part inspiration, part hub, we're your jumping off point. This isn't another office. Strongbox West is your place. You can work privately, you can work with others, you can drink free coffee, you can meet, and meet again. You can move your business forward” (Strongbox West, 2012).

Resource Centers

- **Small Business Development Center (SBDC):** Based out of the Georgia State University College of Business, the Atlanta Small Business Development Center provides free consulting to any small business owner or future entrepreneur from their qualified staff. They also have low cost classes teaching the basics of entrepreneurship.
- **SCORE:** SCORE (formerly Service Corps of Retired Executives) is a mentorship program which pairs small business owners with accomplished executives or retired executives for free mentor/protégé relationships.
- **Georgia's Manufacturing Extension Partnership (MEP):** This organization is a part of Georgia Tech's Enterprise Innovation Institute and offers services to Georgia based manufacturers. Services provided by the MEP include consulting, process improvement, sustainability assessment, and compliance programs.
- **Georgia Tech Procurement Assistance Center (GTPAC):** GTPAC provides free assistance for businesses looking to sell their products or services to the government. Their offices are located in Tech Square, in Atlanta's midtown. They provide consulting and classes to guide businesses through the government procurement process.
- **Urban League of Greater Atlanta Entrepreneurship Center:** The Entrepreneurship Center, located in downtown Atlanta, aims to provide resources to both profit and non-profit minority owned businesses throughout Atlanta, promoting job creation and better economic health among minorities. Primary services include an online database of resources and a mentoring program.

Financial Resources

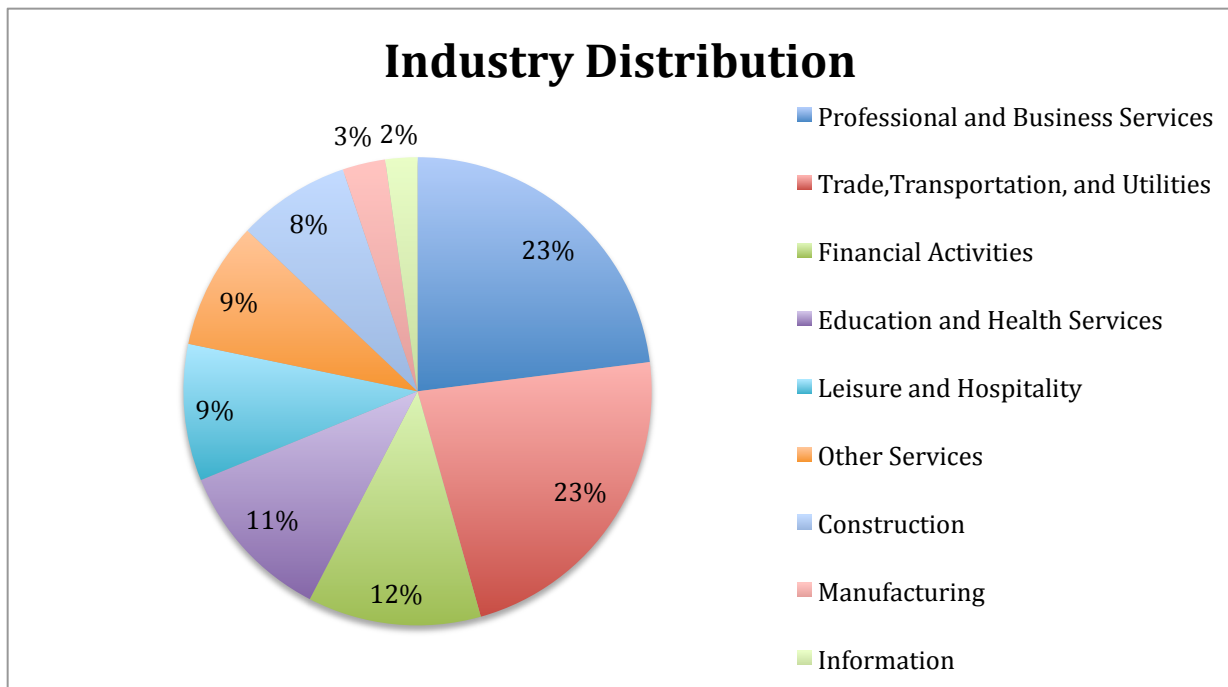
It is often difficult for startup ventures to receive debt funding in the early stages of their businesses. Often, traditional investors require collateral and/or a steady cash flow stream that can cover the remainder of the debt in case of default. Since startups lack these funds, and there is still a strong demand for financial support, several organizations were founded to fill the financing gap. There are also several venture capital firms and angel investor groups located throughout Atlanta. Due to their high volume, they will not be mentioned explicitly in this report but are available through the Startup Atlanta asset map.

- **Access to Capital for Entrepreneurs (ACE) Loans:** ACE serves nearly every county in the northern half of Georgia and focuses on filling the credit gap for small businesses. Founded in 2000, they have since loaned more than \$10 million and retained or created over 2,500 jobs. Their primary offices are located in Cleveland, Georgia with a satellite office in downtown Decatur, GA, just east of Atlanta.
- **Atlanta Microfund:** Atlanta Microfund provides micro loans (less than \$10,000) to fund equipment, inventory, marketing, raw materials, vehicles or working capital for businesses throughout Metro Atlanta. Applicants are required to attend a 1.5 hour orientation in order to apply for a loan.
- **ACCION:** As a national organization for microfinance, ACCION has lent over \$119 million in over 19,000 microloans. There is an Atlanta based office of the national microfinance lender.

Atlanta Industry Analysis

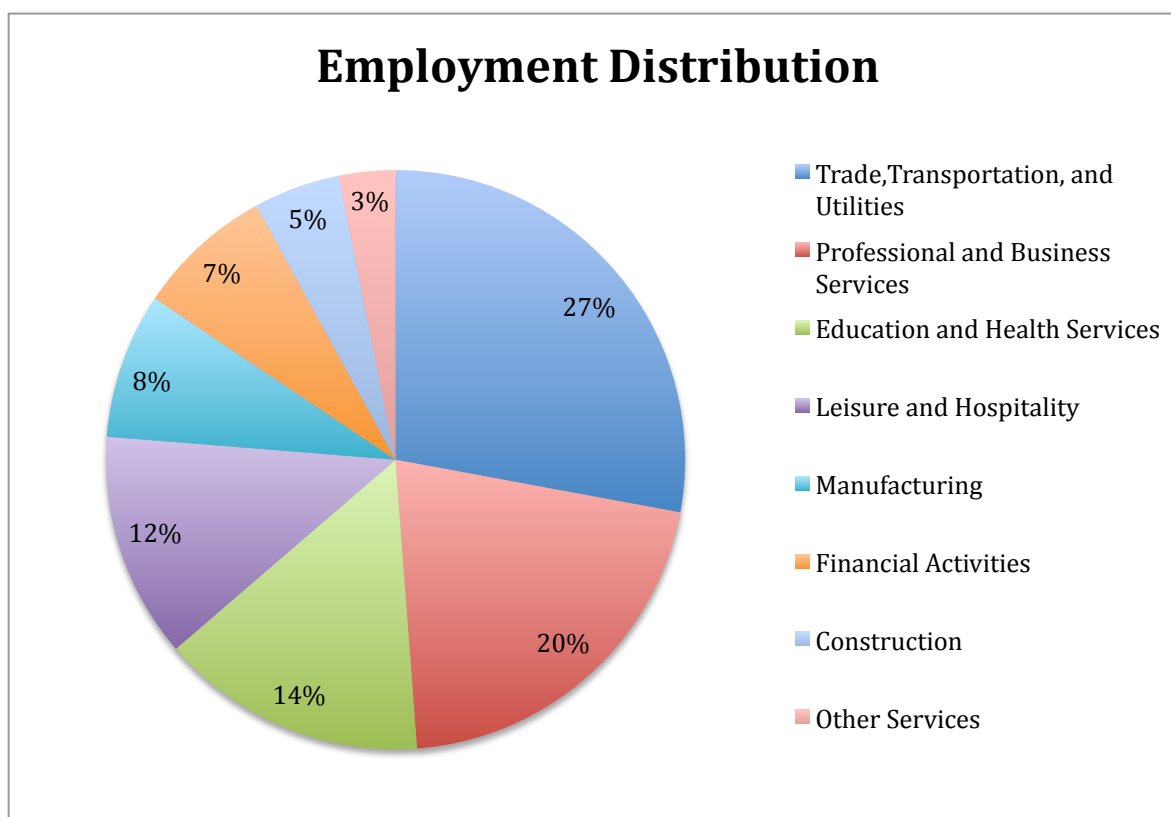
Figure 2 shows the industry distribution for the nearly 130,000 businesses within the Atlanta Metropolitan Statistical Area. This chart provides us with the distribution of firms throughout the metropolitan Atlanta region and provides a glimpse as to what industries may need resources. The legend of the pie chart corresponds with the highest percentage of each industry within Metropolitan Atlanta in list order with Professional and Business Services with the highest number of firms. The most important conclusion to draw from this data is the high importance of the professional and business services, trade, transportation and utilities, and financial activities businesses within the local economy. The order of these industries must next be compared to the employment by industry distribution. These numbers will inform us of where most of the workforce is employed, signifying where further business resources may be required. Figure 3 below shows this distribution. The professional and business services industries and trade, transportation and utilities issues remain in the top three, while financial activities drops to 6th from 3rd in industry distribution, meaning that many financial activities firms require fewer employees than the other industries.

Figure 2: Industry Distribution



Source: U.S. Census Bureau, 2010 County Business

Figure 3: Employment Distribution



Source: U.S. Bureau of Labor Statistics, 2010

Resources and Industry Mismatch

It is apparent by reviewing the many resources for entrepreneurs in Atlanta that there is a strong focus on assisting technology related businesses. The reasoning behind this is clear; technology is a fast growing sector, which produces high quality, high-income jobs. Still, as seen in the above measures of the Atlanta economy, a majority of both establishments and employees are spread throughout a variety of industries across different sectors.

The Atlanta resource market provides a plethora of tools for businesses and the workforce in general, but entrepreneurial resources are still skewed toward technology startups. Some of the greatest resource bases are the numerous business incubators and accelerators located throughout metropolitan Atlanta. Still, these incubators primarily focus on serving technology startups and social entrepreneurial ventures. In order to overcome this, and to serve the wide variety of industries that new businesses will be started in, Kin is established as a mixed-use incubator, serving virtually every industry.

Legal Structure

Within North America, about 93% of business incubators are nonprofit organizations with their primary purpose revolving around economic development for the city or region within which they are located. The remaining 7% of the incubators operate as for-profit entities with a primary focus on shareholders investments (NBIA, 2012). For-profit business incubators rely on the high growth rates of their client businesses. Since Kin will be a mixed-use business incubator, businesses will likely be the full scale of growth from low to high. Since financial sustainability would be difficult under the for-profit structure with a mixed-use incubator, Kin will operate as a non-profit.

Within the varieties of non-profit legal structures, Kin will be structured as a 501 (c)(3), as recommended in the *Charity Through the Back Door* IRS article (Louthian & Friedlander, 1992). “Business incubators, classified as economic development corporations qualify as exempt, despite the fact that services are provided to for-profit businesses, due to their mission. The distinction lies in the fact that the ultimate good received by the general public outweighs the private benefit accorded to the direct beneficiaries, in other words, the activities of the incubator serve a public rather than private interest” (Louthian & Friedlander, 1992).

Board Composition

The Kin board of directors should include representatives from the local community who represent a variety of industries and organizations. These individuals should also have a solid understanding of the mission and vision of the business incubator and remain committed to fulfilling that purpose. The primary responsibilities of the incubator board include but are not limited to:

- Hiring and managing the executive director of the business incubator
- Developing and maintaining the strategic plan
- Using networking capabilities to expand services and funding opportunities
- Evaluating operations and making adjustments as necessary
- Recruiting other potential candidates for the board of directors to better fulfill their mission

Below is a list of organizations and industry representatives that should be represented on the board. These are all major players in economic development and specifically entrepreneur development throughout metropolitan Atlanta.

- Invest Atlanta
- Atlanta BeltLine Inc.
- Georgia SBDC
- University (Georgia Tech, Georgia State, Emory, etc.)
- Coworking Space
- Startup Atlanta
- Metro Atlanta Chamber
- Urban League of Greater Atlanta
- Atlanta Public Schools
- Exceptional graduate clients

Services

Business incubators are often falsely perceived as reduced rent office space for startup companies. Their true purpose, and reasoning for higher start up success rates, lies in the programs, services, and educational opportunities provided to incubator client businesses. As a mixed-use business incubator, Kin will provide services applicable to a variety of industries. The services listed below were selected after study of several best practices of business incubators across the United States, and a study by Lewis. First, a description of the different types of clients will be outlined, and then a list of the services offered through the incubator will be described and applied to the various types of clients. An outline of the client types can be seen in Table 1 below.

Table 1: Types of Clients

Service	Tenant Clients	Coworking Clients	Non-Tenant Clients	Commercial Kitchen Clients	Non-Clients/Temporary
Office Space	Yes	Coworking	No	No	No
Consulting	Free	Free	Free	Free	Mostly Free
Kitchen Space	No	No	No	Yes	No
Classes	Free	Free	Free	Free	\$
Events	Free	Free	Free	Free	\$
Anchor Tenant/Service Provider Access	Free	Free	Free	Free	Free

Tenant clients will be clients actually housed on the campus of the business incubator. They will be selected through the application process and will be a part of the incubator program until the time in which they graduate. They will receive the most number of services out of all the types of clients, including their office space (which will be charged per square foot), free consulting, free classes, free events, and access to anchor tenants. Coworking clients will experience similar benefits, but will be provided with general coworking space, and no assigned desk or private office.

Non-tenant clients would be monthly paying members, at a rate significantly less than the tenant clients. They receive essentially all business and technical assistance programs but are not physically housed on the business incubator campus. There is virtually no limit to the number of non-tenant clients as there is no physical space limit to retaining these individuals as clients. This membership may be better applied to individuals who don't require physical space, but require the consulting services and community experience of Kin.

Commercial kitchen clients will be food-based businesses, offering catering, restaurant, food truck or any other of a variety of services related to food. Kin will provide a basic commercial kitchen including refrigerator, dry storage, freezer space, and basic kitchen equipment in a licensed facility. In addition to use of the kitchen space, these clients will gain access to all of the technical assistance programs offered to other clients.

Those who are either not ready to commit to being a client of the incubator or are only interested in taking a course may do so as well. These non-clients will be charged a

fee for every class or program they attend. Non-clients who may be interested in becoming an incubator client in the future will be offered pre-incubation services, which will include free desk space for a week, access to internet and a phone line, and free staff consulting. These services are provided for free to encourage entrepreneurs to establish within the incubator for a longer period, and have been proven as a successful means of attracting and retaining clients. Other services including events, some anchor tenant access, and consulting are available to all interested entrepreneurs or potential entrepreneurs for low or no cost.

Consulting

Consulting will come in many forms for the various types of client associated with Kin. Additionally, the sources of mentorship will vary including from incubator staff, SBDC consultants, SCORE mentors, volunteer mentors, and outside topical experts hired on an as needed basis. These business professionals will consult on a variety of business operations issues of which will be described in further detail below.

- Financial Analysis: Provide consulting on how to develop pro-formas or financial projections, and how to analyze financial statements and make adjustments for the future of your business
- Banking/Finance: discuss debt and equity capital options, how they would impact your business, and how to best prepare for seeking each type including making a pitch to venture capitalists or an angel investor, and how to prepare a loan application with a bank
- Marketing: consulting can include the varying types of marketing to reach your target audience, differing types of marketing based off your budget, and overall discussion of the most efficient way to get your name to your target customers
- Social Media: presenting how to best utilize social media such as Facebook, Twitter, and other, industry specific social media, that can assist in marketing and customer relationship efforts
- Human Resources: legal issues to consider when you hire and manage employees, as well as any soft skill training necessary for resolution of employee-to-employee conflicts
- Technology: mentoring on technology improvements in any portion of a business from their website to how they track information
- Accounting/Bookkeeping: this includes how to record all financial transactions, and how to record and pay taxes relevant to your business. Other topics taught include an overview of the purpose of a CPA, how to use QuickBooks, and other accounting software programs

Classes

Entrepreneur Introduction Class

This class will be a basic introduction to the risks and potential rewards of owning your own business. It will also introduce the very basics of how to launch your business including licensing, how to find capital, and how to market and sell to your customers. This will be a required course for all pre-incubation clients and regular clients prior to their application.

Business Plan Writing

These courses, free to clients, will follow the Small Business Development Center (SBDC) Leading Edge 12-week program that takes you through all steps necessary to develop a comprehensive business plan. Business plans are incredibly useful resources for strategic planning, applying for loans, forecasting cashflows, and a variety of other uses. Topics discussed include cash flow management, human resources, legal issues, finance, and marketing.

Social Media

Social media, as discussed in the consulting section above, is becoming increasingly important to remain in touch with customers and as an often low cost method to market your company. Entrepreneurs will often believe that they don't need specific one-on-one consulting for social media, however, taking a class with general information may be more appealing.

Tax Class

Several classes will be offered each year in early tax season to cover the basics for filing taxes as a business. A local tax accountant will be hired to teach the class for free, and in return will be allowed to accept class attendees as clients. These courses will be designed to provide basic instructions for sole proprietorships, partnerships, LLCs, and C or S Corporations.

Social Entrepreneurship

This class will discuss how you can launch a social enterprise, including a history of social entrepreneurship and its impacts on both profit and social justice. Social justice includes environmental, financial, and other equitable issues that can be addressed through business practices and innovations. It will also include how to feature social entrepreneurship within an existing business that is not solely focused on social justice as its mission. Potential collaborations with HUB Atlanta, Enterprise 2 Empower, or the Civic Accelerator would enhance these classes.

Events

Open House

The open house is an opportunity to feature all of the incubator clients, their products, and services. It will provide a chance for the local community to interact with its newest businesses, and give the client businesses an opportunity to generate some revenue while increasing their marketing presence. The open house will be held semi-annually, once in the summer and once in December.

Coffee Club

Coffee Club meetings will be informal venues for clients or non-clients to discuss any business ideas or problems they may have. A representative or representatives from the incubator will be available at a local coffee shop for 2-3 hours once a month to discuss these ideas and offer informal advice and consulting. These events are designed to encourage innovation amongst existing clients and promote the business incubator in the local community to broaden the client base.

Anchor Tenants

Small Business Development Center

The Georgia Small Business Development Center, whose mission is to enhance the economic well being of Georgians by providing a wide range of educational services for small business owners and aspiring entrepreneurs, will be one of the primary service providers within Kin. Their services will include offering the Leading Edge business plan course, and serving as free consultants to all clients and non-clients of the incubator. While the SBDC will likely retain its original office in Downtown Atlanta on the Georgia State University campus, an office will remain available for SBDC consultants inside of Kin to hold meetings and plan events and classes.

Legal Assistance

An in-house small business specialized lawyer, who will receive free office space in return for their services, will provide free consulting to all clients. The in-house attorney will serve as a free consultant to all clients but will require payment from companies for any legal services provided beyond the initial 5 free service hours per year. Primary topics for consultation include but are not limited to: incorporation, business structure, import and export requirements, and intellectual property protection.

Government Procurement

The Georgia Tech Procurement Assistance Center (GTPAC) helps Georgia businesses identify, compete for and win government contracts. They do this through free one-on-one consulting and training. Just as a satellite office space will be reserved for the local SBDC, the GTPAC will have access 24/7 to space within the incubator. These services will be provided for free to any entrepreneur seeking assistance through Kin.

Capital

Access to Capital for Entrepreneurs (ACE Loans) serves nearly every county in the northern half of Georgia and focuses on filling the credit gap for small businesses. They were founded in 2000, they have since loaned more than \$10 million and retained

or created over 2,500 jobs. While ACE's main office is currently in Cleveland, GA, and they retain a small satellite office in Decatur, they will be given permanent Kin office space to provide their services and make loans to both clients and non-clients.

Marketing

In order to establish its role within the entrepreneurial resources market in Atlanta, Kin must follow a marketing strategy that appeals to those interested and serious about launching their own business. Kin, the namesake of Atlanta's only mixed-use business incubator is named to describe the culture and southern flavor of the program. Defined as a group of common ancestry, or one's relatives, Kin will serve as the home to Atlanta's entrepreneurial family. Clients of Kin will be regarded as such, and will work with each other to grow strongly together.

The marketing strategy will focus on attracting entrepreneurs from all industries. In order to make the entrepreneurial community aware of the Kin program and services, marketing will come in three forms: public events including classes, advertising through paid placements and social media, and through referrals. First, public events such as the coffee club meetings and low cost classes for entrepreneurs will expose the value that Kin can instill in entrepreneurs. Second, a well-strategized social media campaign combined with paid advertisements in select business and Atlanta area magazines will provide exposure to the Kin name. Finally, through the establishment of the Kin family, referrals will be generated within the Atlanta entrepreneurial community to continue growth of the number of Kin clients.

There will be a variety of Kin logos, used interchangeably, with the orange hexagonal logo as the incubator's primary logo. These branding tools are displayed below.

Figure 4: Kin Logos



Client Application, Selection, and Graduation Process

In order to become a Kin tenant client, commercial kitchen client, or non-tenant client, entrepreneurs must apply through a formalized system. The first step is to complete the client application form seen in Appendix 3. This application can be filed by any existing or future for-profit business that wishes to partake in the program. Once the application is received it will be reviewed by the advisory board, and either accepted, denied, or given provisional acceptance into the program.

The advisory board is will be comprised of (2-4) successful local entrepreneurs plus the executive director of Kin, always having an odd number of members for tie breaks. Good candidates for this position will come from a variety of industries, and include successful graduates of the program. The advisory board will meet once monthly to approve or deny all applications based on predetermined criteria and will approve clients by a greater than 50% vote. The advisory board will be looking for the following qualities in a client applicant:

- Viability of the business proposition
- Management team that understands the incubator is a program they must participate in and not just low cost office space
- Economic impact including job creation, capital impact, diversification of the local economy
- Cashflow that allows for payments to the incubator
- Likelihood of being able to graduate within the stated guidelines
- Desire and ability to grow and succeed

Once the advisory board accepts clients, they will be held to high expectations, as they are now a part of an entrepreneur growth program. Appendix 4 contains the Client Handbook, which outlines many of these expectations, and must be signed by each client business prior to beginning the program. Each client of Kin is required to be involved in consulting, events, and classes. Details of each of these requirements are included in the Client Handbook.

Business incubation is a program designed to grow businesses to the point where they will be financially sustainable and continue growing at another location within the local community. As such, there comes a point in time that each business should graduate from the incubator and relocate within the community. Kin has a number of measures that will determine if a business is ready to graduate, including time, revenue/profit, and number of employees among many other factors. While no specific number will determine if the client is ready to graduate, there are several triggers that will lead to discussion between the executive director and the owner of the client business in regards to their graduation. Ultimately, the executive director and advisory board (consensus) will make the decision on whether a client firm is ready to graduate. Some of these criteria include but are not limited to:

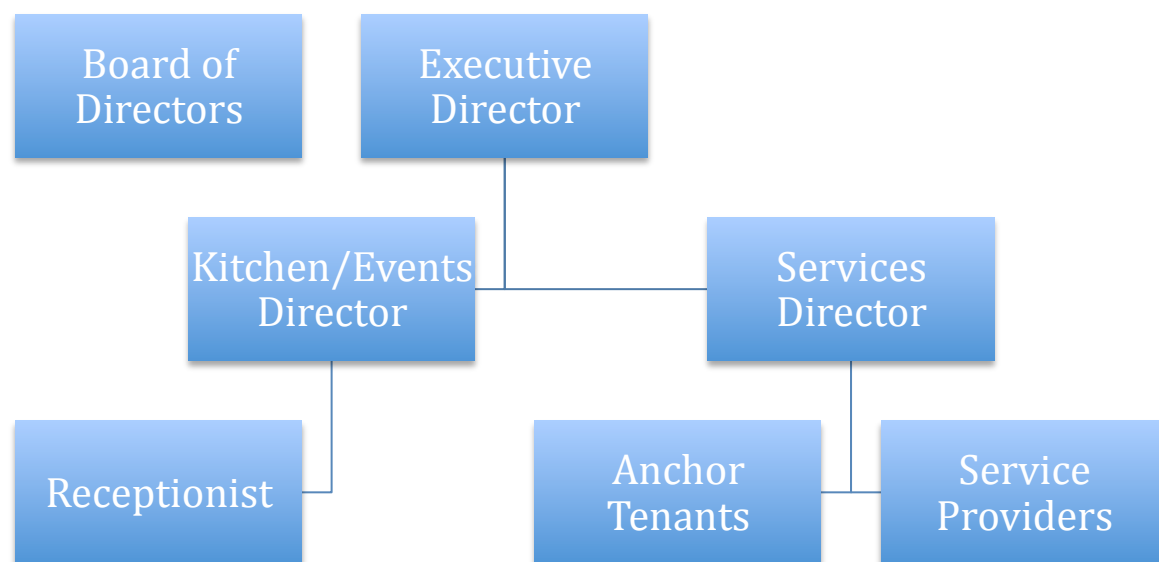
- Achieving a significant profit or positive cashflow
- Outgrowing the business incubator space in terms of:
 - Storage, Employees, Office Space, Etc.
- Merging with or being acquired by another company

- Obtaining venture capital or other forms of capital to no longer need services of Kin
- Outgrowing need for Kin programs and services

Organizational Structure/Staffing Plan

Kin's staff will be comprised of an executive director, commercial kitchen and events director, client services coordinator/accountant, and a receptionist. Additionally, a board of directors, team of volunteers, anchor tenants, and other service providers will be included within the organizational structure of Kin, as seen below in Figure 4.

Figure 5: Organizational Structure



The executive director will be responsible for all operations within Kin, including management oversight of all clients, programs, services, and staff. The executive director will be nominated, approved, directed, reviewed and, if needed, fired by the board of directors. The executive director is also responsible for both the growth, and financial sustainability of Kin. An annual review of the strategy, condition, and strategic planning of Kin will occur with the full staff and board of directors. The executive director will lead this annual review, and will be responsible for putting strategic decisions into action throughout the course of the year.

The kitchen and events director will be responsible for management of both the commercial kitchen and all events and classes led by Kin. This staff member will be the direct report for all commercial kitchen clients, and will ensure the proper function and licensing of the commercial kitchen. Their responsibility as it relates to events and classes will be to organize, schedule, and market Kin events to the public. This can include the selection of topics and speakers, organizing food, and the funding and fundraising for each event and class. Ideally, this staff member should have prior experience in a food services related industry. Finally, the kitchen and events coordinator

will be responsible for management of the receptionist. The primary responsibilities of the receptionist include scheduling of meetings and events within Kin space.

The services director will be responsible for all programs (excluding events) available to clients, and ensuring that clients are holding true to their handbooks and continuing involvement in each of the programs. Additionally, this role will be responsible for the accounting management, limited to basic financial bookkeeping of the non-profit. Additional accounting including audit, payroll, and taxes will be outsourced to a local Certified Public Accountant. Management and supervision of anchor tenants, and external service providers will be the responsibility of the services director.

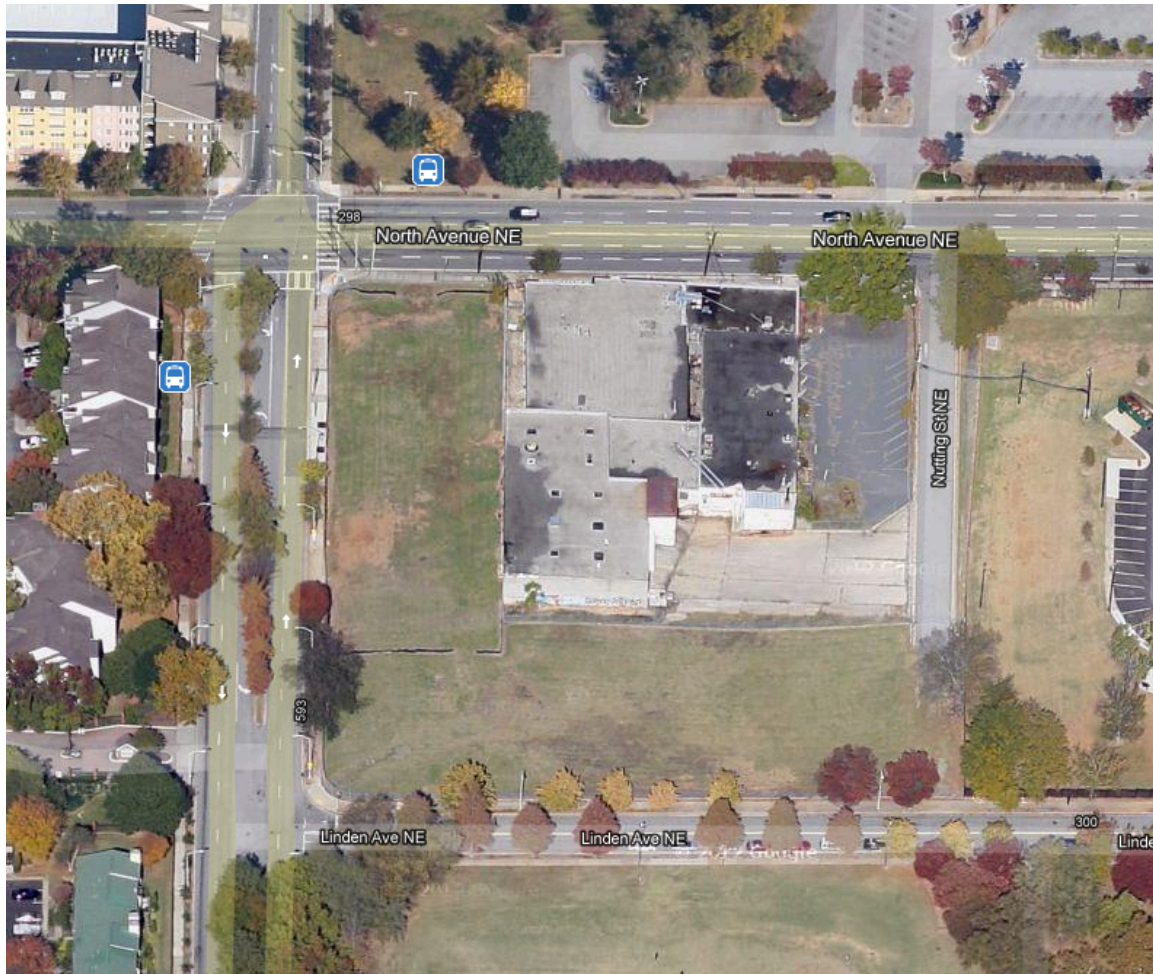
In its first year, Kin will operate with only two staff members, the executive director and the services director. Kitchen and events director and receptionist duties will be divided between the two staff members for the duration of the first year. In quarter one of year two, the remaining positions will be filled, as projections estimate full occupancy at this time.

Location and Facilities

Atlanta is a growing and redeveloping city, dating back to rising from the ashes of the Civil War. The Old Fourth Ward neighborhood is a major part of this revitalization, including the development of the Old Fourth Ward Park and Skate Park located off the BeltLine. While these projects are quickly launching growth of the area, there are still numerous buildings that remain vacant and in need of repair and development.

As a part of this initiative, Kin will purchase and rehabilitate one of these buildings, located at 311 North Avenue Northeast. The property, zoned I-1, comprises of 33,358 square feet. The property is assessed at \$632,000, and valued at \$1,580,000. Kin will purchase the building at \$1,500,000 using grant and other funding. The property can be seen in the figure below, with North Avenue along the North border and Central Park Place as its western border.

Figure 6: 311 North Avenue Northeast Site



Source: Google Maps, 2013

In the 2012 *State of the Business Incubation Industry* survey, the “National Business Incubator Association (2012) found that incubator sizes ranged from 500 square feet to 770,000 square feet; the average size was 47,157 square feet and the median was 25,908 square feet.” In addition, the NBIA found that an incubator smaller than 30,000 square feet will have difficulty covering their operating costs through rent and service fees alone. In order to both meet the demand required by Atlanta entrepreneurs and achieve financial sustainability, Kin will open with the full 33,358 square foot facility in the North Avenue building, and will expand later if growth demands it.

The space will be divided into office space for office clients, a commercial kitchen for our commercial kitchen clients, management offices for Kin staff, mentor training rooms for volunteer mentors anchor tenants, and other service providers, classroom space, a community room for events and a small welcome area/business exposition area. The main entrance to Kin will welcome any visitors with an exhibition space for clients to market and/or sell their products and services. This provides an opportunity for Atlanta residents to stay up-to-date with the new businesses being created in their community and to support the growth of these startups.

Kin features:

- Retail/exhibition space
- Office space
- Commercial kitchen
- Staff offices
- Break room
- Anchor tenant/volunteer/service provider office
- Conference room
- Large multipurpose room- training/classrooms/events

Financial Statements

Financial sustainability will be one of Kin's primary objectives throughout its first several years of operation. As a business incubator's purpose is to start and grow successful businesses, the non-profit itself must serve as an appropriate and sustainable business model. While in the first several years of operation, a majority of operational expenses will be dependent on payment through grants, donations and other external sources, a long-term goal will be to become as close to sustainable without recurring external funding.

Funding in the first three years of Kin will be used primarily for development of the real estate, and establishment of programs, services, and staff. Most of this will come from a variety of grant sources including but not limited to the Economic Development Administration, and local private foundations. This startup capital will be used to generate the first operating revenues of Kin, which will later grow to assume coverage of a majority of operating expenses.

Best practices dictate that incubators are most often financially sustainable when they maintain a diverse set of operating revenue sources, generated from a variety of programs. As was previously described in the business plan, the variety of anchor tenants, service providers, client types, and events will contribute to this diversified revenue stream. The details of revenue from each source are displayed in the financial documents below.

Initial funding will come from the Economic Development Administration as a matching 50% grant for the total expenses. Initial costs will include the purchase of the space, basic renovation and decoration costs, furniture, and the equipment necessary to open Kin. Matching funds will be gathered from a variety of private foundations, private donors, and funding from local governments. The 3-year cash flow forecast is included below, but this section will be used to explain many of the assumptions implemented in the cash flow projections. First, pre-opening revenue and expenses will be paid for through the EDA Grant, and matching funds. EDA will provide \$1.25 million and the matching \$1.25 million will be used to pay for the purchase of the property (\$1.5 million), construction costs for rehabilitation (\$750,000), and original equipment and furniture purchases (\$250,000).

Next, revenue will be provided from five different sources, including the several varying types of clients. Office clients will use 20,000 square feet of the space in Kin. Assuming rent will be charged at a rate of \$1.50 per square foot, and month one will experience 40% occupancy and grow at a rate of 5% per year, Kin's office client space

will be 100% full beginning in Month 1 of Year 2, earning \$360,000 in revenue from this source per year.

Coworking clients will have a designated 2,000 square feet within the Kin building. There is enough space for 75 members, who will pay \$50 per month each. They are forecasted to experience the same growth rate as the office clients and will reach their full capacity (75 members) in the beginning of year 2, earning the incubator \$45,000 annually to expand services and improve their space.

Kitchen clients will use the commercial kitchen within the incubator, which uses 1000 square feet. These members are required to pay a monthly \$35 membership fee and will be charged \$10 per hour of use of the kitchen facility itself. It is estimated that clients will be using the kitchen space approximately 10 hours a week for food preparation. The membership cap of kitchen clients will be 50, and is expected to have the same growth rate as the other forms of clients, beginning at 40% occupancy. Once 100% occupied, the kitchen clients will generate \$25,800 per year in rental and services revenue.

The last source of revenue will be for other fees and business owners who take classes that are not enrolled as members. It is forecasted that this group of individuals will generate approximately \$500 a month in revenue.

The largest expense for operation of Kin will be the salary and benefits/taxes required to maintain the staff. In its first operational year, Kin will only employ only an executive director and an assistant (services) director. Their starting salaries will be \$85,000 and \$50,000 respectively. In year two, an events/kitchen director as well as a receptionist will be hired at \$50,000 and \$35,000 respectively. Annual increases in salary are projected as well as benefits and taxes, estimated at 25% of the full salaries expense.

Other expenses include phone and internet (cost estimate from Comcast Business), insurance costs that are estimated at \$1 per square foot per year, office supplies which will need a large initial outlay of funds then smaller to replace used goods, utilities, estimated at \$1.50 per square foot per year, and other costs such as contract labor (janitorial services, plumbing, landscaping, etc.), marketing, and an events fund.

In year 2, Kin will be operating at full occupancy, and generating the amount of revenue that coincides with those operations. Additionally, Kin will receive two grants, from local foundations with dedicated economic development funds, throughout the course of the year to expand their operations and offerings for both clients and non-clients. There will be a corresponding increase in expenses with the acceptance of the grants. Year two cashflows will also allow for building improvements in quarters one, two and three of \$75,000 total in improvements. The only changes from Year 2 to 3 include a 5% raise for all staff, and another \$70k of improvements to the building and property.

Figure 7: Year 1 Monthly Cashflows

	Pre-Opening	1	2	3	4	5	6
GRANT INCOME	1,250,000	-	-	-	-	-	-
OTHER DONATIONS AND FUNDING	1,300,000						
OFFICE CLIENT RENT INCOME		12,000	13,500	15,000	16,500	18,000	19,500
COWORKING CLIENT RENT INCOME		1,500	1,688	1,875	2,063	2,250	2,438
KITCHEN CLIENT RENT INCOME		860	968	1,075	1,183	1,290	1,398
NON-RESIDENT CLIENT INCOME		350	700	1,050	1,400	1,750	2,100
EVENT AND OTHER REVENUES		500	500	500	500	500	500
TOTAL REVENUES / SOURCES OF CASH	\$ 2,550,000	\$ 15,210	\$ 17,355	\$ 19,500	\$ 21,645	\$ 23,790	\$ 25,935
PURCHASE OF PROPERTY	1,500,000	-	-	-	-	-	-
CONSTRUCTION COSTS	750,000	-	-	-	-	-	-
EQUIPMENT/FURNITURE	250,000	-	-	-	-	-	-
PHONE/INTERNET	-	350	350	350	350	350	350
INSURANCE	-	2,780	2,780	2,780	2,780	2,780	2,780
OFFICE SUPPLIES	-	2,000	150	150	150	150	150
UTILITIES	-	4,170	4,170	4,170	4,170	4,170	4,170
CONTRACT LABOR	-	500	500	500	500	500	500
SALARY	-	11,250	11,250	11,250	11,250	11,250	11,250
TAXES AND BENEFITS	-	2,813	2,813	2,813	2,813	2,813	2,813
EVENTS	-	500	500	500	500	500	500
MARKETING/SITE MAINTENANCE	-	250	250	250	250	250	250
MISCELLANEOUS	-	500	500	500	500	500	500
TOTAL EXPENSES / USES OF CASH	\$ 2,500,000	\$ 25,112	\$ 23,262	\$ 23,262	\$ 23,262	\$ 23,262	\$ 23,262
NET PROFIT / NET CASH FLOW	\$ 50,000	\$ (9,902)	\$ (5,907)	\$ (3,762)	\$ (1,617)	\$ 528	\$ 2,673
BEGINNING OF MONTH CASH	-	50,000	40,098	34,191	30,429	28,812	29,340
END OF MONTH CASH	\$ 50,000	\$ 40,098	\$ 34,191	\$ 30,429	\$ 28,812	\$ 29,340	\$ 32,013

	7	8	9	10	11	12	TOTAL
GRANT INCOME	-	-	-	-	-	-	\$ 1,250,000
OTHER DONATIONS AND FUNDING							\$ 1,300,000
OFFICE CLIENT RENT INCOME	21,000	22,500	24,000	25,500	27,000	28,500	\$ 243,000
COWORKING CLIENT RENT INCOME	2,625	2,813	3,000	3,188	3,375	3,563	\$ 30,375
KITCHEN CLIENT RENT INCOME	1,505	1,613	1,720	1,828	1,935	2,043	\$ 17,415
NON-RESIDENT CLIENT INCOME	2,450	2,800	3,150	3,500	3,500	3,500	\$ 26,250
EVENT AND OTHER REVENUES	500	500	500	500	500	500	\$ 6,000
TOTAL REVENUES / SOURCES OF CASH	\$ 28,080	\$ 30,225	\$ 32,370	\$ 34,515	\$ 36,310	\$ 38,105	\$ 2,873,040
PURCHASE OF PROPERTY	-	-	-	-	-	-	\$ 1,500,000
CONSTRUCTION COSTS	-	-	-	-	-	-	\$ 750,000
EQUIPMENT/FURNITURE	-	-	-	-	-	-	\$ 250,000
PHONE/INTERNET	350	350	350	350	350	350	\$ 4,200
INSURANCE	2,780	2,780	2,780	2,780	2,780	2,780	\$ 33,358
OFFICE SUPPLIES	150	150	150	150	150	150	\$ 3,650
UTILITIES	4,170	4,170	4,170	4,170	4,170	4,170	\$ 50,037
CONTRACT LABOR	500	500	500	500	500	500	\$ 6,000
SALARY	11,250	11,250	11,250	11,250	11,250	11,250	\$ 135,000
TAXES AND BENEFITS	2,813	2,813	2,813	2,813	2,813	2,813	\$ 33,750
EVENTS	1,000	1,000	1,000	1,000	1,000	1,000	\$ 9,000
MARKETING/SITE MAINTENANCE	250	250	250	250	250	250	\$ 3,000
MISCELLANEOUS	500	500	500	500	500	500	\$ 6,000
TOTAL EXPENSES / USES OF CASH	\$ 23,762	\$ 23,762	\$ 23,762	\$ 23,762	\$ 23,762	\$ 23,762	\$ 2,783,995
NET PROFIT / NET CASH FLOW	\$ 4,318	\$ 6,463	\$ 8,608	\$ 10,753	\$ 12,548	\$ 14,343	\$ 39,045
BEGINNING OF MONTH CASH	32,013	36,330	42,793	51,401	62,154	74,702	50,000
END OF MONTH CASH	\$ 36,330	\$ 42,793	\$ 51,401	\$ 62,154	\$ 74,702	\$ 89,045	\$ 89,045

Figure 8: Year 2 Quarterly Cashflows

	Q1	Q2	Q3	Q4	TOTAL
DONATIONS/GRANTS	5,000	-	1,000	-	\$6,000
OFFICE CLIENT RENT INCOME	90,000	90,000	90,000	90,000	\$360,000
COWORKING CLIENT RENT INCOME	11,250	11,250	11,250	11,250	\$45,000
KITCHEN CLIENT RENT INCOME	6,450	6,450	6,450	6,450	\$25,800
NON-RESIDENT CLIENT INCOME	10,500	10,500	10,500	10,500	\$42,000
EVENT AND OTHER REVENUES	3,000	3,000	3,000	3,000	\$12,000
TOTAL REVENUES	\$126,200	\$121,200	\$122,200	\$121,200	\$490,800
BEGINNING CASH	89,045	89,270	84,495	80,720	
TOTAL CASH AVAILABLE	\$215,245	\$210,470	\$206,695	\$201,920	
PHONE/INTERNET	1,050	1,050	1,050	1,050	\$4,200
INSURANCE	8,340	8,340	8,340	8,340	\$33,360
OFFICE SUPPLIES	450	450	450	450	\$1,800
UTILITIES	12,510	12,510	12,510	12,510	\$50,040
CONTRACT LABOR	1,500	1,500	1,500	1,500	\$6,000
SALARY	57,500	57,500	57,500	57,500	\$230,000
TAXES AND BENEFITS	14,375	14,375	14,375	14,375	\$57,500
EVENTS	3,000	3,000	3,000	3,000	\$12,000
MARKETING/SITE MAINTENANCE	750	750	750	750	\$3,000
BUILDING IMPROVEMENTS	25,000	25,000	25,000	-	\$75,000
MISCELLANEOUS	1,500	1,500	1,500	1,500	\$6,000
TOTAL EXPENSES	\$125,975	\$125,975	\$125,975	\$100,975	\$478,900
NET PROFIT	\$225	\$(4,775)	\$(3,775)	\$20,225	\$11,900
ENDING CASH	\$89,270	\$84,495	\$80,720	\$100,945	

Figure 9: Year 3 Cashflows

	YEAR
DONATIONS/GRANTS	1,000
OFFICE CLIENT RENT INCOME	360,000
COWORKING CLIENT RENT INCOME	45,000
KITCHEN CLIENT RENT INCOME	25,800
NON-RESIDENT CLIENT INCOME	42,000
EVENT AND OTHER REVENUES	12,000
TOTAL REVENUES	\$485,800
BEGINNING CASH	100,945
TOTAL CASH AVAILABLE	\$586,745
PHONE/INTERNET	4,200
INSURANCE	33,360
OFFICE SUPPLIES	1,800
UTILITIES	50,040
CONTRACT LABOR	6,000
SALARY	241,500
TAXES AND BENEFITS	57,500
EVENTS	12,000
MARKETING/SITE MAINTENANCE	3,000
BUILDING IMPROVEMENTS	70,000
MISCELLANEOUS	6,000
TOTAL EXPENSES	\$485,400
NET PROFIT	\$400
ENDING CASH	\$101,345

Conclusion

Kin's operations and business plan are adapted from the best practices of business incubators across the country and world. Using these practices, Kin will provide world-class services, start and grow successful businesses, and remain financially sustainable, while promoting new and innovative methods and services to stay with the often changing and improving market. Through this process, Kin will fulfill its mission of starting, sustaining and growing successful businesses by cultivating Atlanta's startup family.

Appendix 1: Business Incubator Best Practices

Domestic and international best practices from many of the top performing business incubators creates a baseline of services and operational procedures to use when developing your own business incubator. The best practices discussed in this study are divided into governance, staffing, finances, facility management, evaluation, client entrance and exit, and services provided. A basic introduction to each of these sections describes the purpose of the function within the incubator and then shifts to a case or cases in which those practices were best exemplified.

Governance

Governance includes topics related to the purpose and board management of the incubator. This includes the mission statement, a strategic plan, and the board of directors. The mission statement is used to define why the business incubator exists and is a guiding light for future developments and long-term decisions for the incubator. Questions that should be answered within the mission statement include:

- “What is the ultimate value the incubator brings to its clients and supporters?
- What is distinctive about the incubator and what industries are served?
- What are your goals?” (Colbert, Adkins, Wofe, & Lapan, 2010).

The West Texas A&M University Enterprise Center, a university based business incubator has the following mission statement: “To grow and diversify the economic base of Amarillo and selected regional communities by utilizing the tools of business incubation, entrepreneurial development, and entrepreneurial education” (West Texas A&M University Enterprise Center, 2013). This is a somewhat long but detailed description of where the incubator is focused, what services they intend to provide, and what their expected outcome will be.

The Rutgers Food Innovation Center, a commercial kitchen incubator, has to reflect its niche in the business incubation industry within their mission statement. Their mission is: “to stimulate and support sustainable economic growth and prosperity to the food and agricultural industries in the mid-Atlantic region by providing businesses with innovative research, customized practical solutions, resources for business incubation, and a trusted source for information and guidance” (Rutgers Food Innovation Center, 2013). This mission statement clearly defines the industry the Rutgers Food Innovation Center focuses on, and goes into even more detail than the West Texas A&M University Enterprise Network describes their services and purpose.

Both of these mission statements affirm the purpose of the business incubator, the industries it serves, and a basic overview of the services it provides to achieve its purpose. Developing an effective mission statement requires identifying each of these traits of your own incubator in development and being able to efficiently and clearly state these key tenets.

Strategic plans allow for incubators, under the leadership of its board of directors, to provide a clear roadmap of what tasks need to be accomplished in a specific timeframe to achieve your mission statement and other goals as determined by the board. The Louisiana Business & Technology Center, based out of Baton Rouge, holds a half-day

all-staff retreat once a year to discuss each project, its effectiveness, and sustainability. The executive director of the incubator then combines the results of the retreat into a report for the board. The board feedback is then used to develop specific action items for each project and staff member. The executive director, Charles D'Agostino states that allowing staff input for strategic planning and big picture items allows them to see the importance of their role within the incubator (Louisiana Business & Technology Center, 2013).

A well-organized board of directors for an incubator will be comprised of representatives from the local community who represent a variety of industries and organizations. These individuals should also have a solid understanding of the mission and vision of the business incubator and remain committed to fulfilling that purpose. The primary responsibilities of an incubator board include but are not limited to:

- Hiring and managing the executive director of the business incubator
- Develop and maintain the strategic plan
- Use networking capabilities to expand services and funding opportunities
- Evaluate operations and make adjustments as necessary (Colbert et al., 2010).

A best practice for board of directors is discussed in the case of William M. Factory Small Business Incubator based out of Tacoma, Washington. This incubator holds an annual retreat (2/3 of a day) in which the board chairman facilitates an organized but relatively open discussion amongst board members. Board members felt they had a better understanding of the operations of the incubator, had more input and were more motivated to develop solutions for the incubator (William Factory Small Business Incubator, 2013).

Staffing

The staff of an incubator is generally one of the largest expenses and is often the most essential to ensuring success of the program. It is thus, important to distinguish how staff is selected, what qualifications are expected of them, and how roles and responsibilities will be divided.

The executive director of a business incubator, often its first hire, will develop the initial programs and services for clients, and will be responsible for building the team of employees of the incubator. The onus of hiring the executive director is either apparent (the person who has been developing the program) or they are selected by the board of directors. The executive director will spend most of their time networking with clients, developing awareness of the program within the community to bring new businesses into the incubator, identifying any client or staff needs and working with the board of directors to accomplish the mission and strategic plan of the organization (Colbert et al., 2010).

The Innovation Depot in Birmingham, Alabama focused on hiring highly qualified individuals for its CFO, COO, Director of IT services, and director of facility operations. All of these individuals have extensive experience in business consulting, are highly educated, and are influential within their region (Innovation Depot, 2013). The Powerhouse Ventures incubator in Christchurch, New Zealand, is a technology focused business incubator and had to hire their staff accordingly (Colbert et al., 2010). Individuals with a strong track record with technology start-ups and those who have

commercialized products are ideal to this type of incubator. A food based business incubator, for example, would require staff with experience either operating or owning a commercial kitchen and are familiar with Food and Drug Administration (FDA) or United States Department of Agriculture (USDA) food production and distribution regulations.

Volunteers and interns also play a fundamental role in incubators as irregular financial streams and project based grants require project specific employment and often low or no pay positions. The Springfield Business Incubator in Springfield, MA, innovatively used students of the local university to provide free legal consulting to incubator clients. Under the supervision and training of lawyers/professors, the students were able to create employee contracts, search for intellectual property information, and provide other general legal consult to the new ventures. This was beneficial both to incubator clients who received free legal consulting, and to the students who were able to practice business law on actual businesses (Colbert et al., 2010).

The service provider network is the collection of service offerings and partners an incubator has established within their region. This includes but is not limited to accountants, small business lawyers, venture capitalists, angel investors, community development financial institution (CDFI) representatives, and government procurement assistance counselors. These service providers will often provide either free or low cost assistance in exchange for office space, networking opportunities, advertising through the incubator, or for personal fulfillment. La Cocina Business Incubator, a kitchen incubator based out of San Francisco, uses its staff primarily to engage with its clients in kitchen and food preparation based services. Since the staff is not skilled in solving business issues such as financial analysis, marketing, etc., they have used their service provider network to provide these services (La Cocina, 2013).

Finances

Financial sustainability may be one of the most difficult aspects to operating a business incubator. Additionally, as an institution that supports and teaches successful new business practices, incubators must set a proper example of how to remain financially strong. Aside from grant funding to launch initial operations, sustainable revenue for business incubators primarily comes in the form of rent from client tenants and other forms of clients. In fact, according to the NBIA 2006 *State of the Business Incubation Industry* report, on average, 59% of revenue from North American business incubators is generated through client tenant rent and other client fees. The remainder of operating expenses are covered through outside support, either grants or private/public funding and donations. Since this is a large portion of incubator funding, it is of the utmost importance that the incubator clearly states itself as a business builder, job creator and overall economic development tool and not just reduced rent space for businesses.

There are several practices business incubators should consider in order to attain financial sustainability. Best practices discussed will include the business plan and further financial discussion. The business plan is useful for guiding both day-to-day operations and long term strategic planning of the business incubator. Its components most often include:

- Mission and Objectives
- Client Focus

- Organizational Structure
- Legal Structure
- Board Composition
- Services and Programs
- Marketing and Public Relations
- Client Application, Selection, and Graduation Process
- Staffing Plan
- Facilities
- Financial Statements (Colbert et al., 2010).

Innovacorp, a business incubator based out of Halifax, Nova Scotia reviews its business plan every year within its staff. One of the main exercises they use is a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the incubator to determine what needs to be changed to remain sustainable. The updated business plan is approved by the board of directors and later used to receive grant funding from the local government (Innovacorp, 2013).

Self-sustaining business incubators tend to rely on many sources of revenue generation and avoid relying solely on one or two major funders. In fact, many incubation experts suggest maintaining six to ten revenue streams include rents and service fees, cash operating subsidies, special events space leasing, income from contracts, equity investment in client tenants, fundraising events, or other creative means. In general, large subsidies from grantors or private funders are very short lived and only intend to launch the programs. They desire to see how you can turn their donation into a long term sustainable practice and how the program will benefit the community in the long run (Colbert et al., 2010).

A key best practice to developing several revenue streams is the establishment of many programs and anchor tenants under the umbrella organization of the business incubator. The Business Incubator Center in Grand Junction, Colorado is host to a Small Business Development Center (SBDC), offering free consulting to businesses, a Business Loan Fund to meet the capital demand gap for entrepreneurs, management of the local Enterprise Zone, and property management of the campus in which their buildings are located in making rent only \$1 per year. The combination of these programs and services both provides great value to client tenants and encourages financial sustainability, as the business incubator remains 75% self financed on an annual basis (Business Incubator Center, 2013).

Facilities Management

The primary purpose of business incubators is to develop the newly formed client businesses through programs and while being housed in physical real estate that creates a community of entrepreneurial development. Both the programs and physical space need to be designed around the needs of the industries the business incubator serves. As an example, biotechnology based incubators would require lab space and possibly intellectual property classes or consultants. Meanwhile, a food services incubator would require a legally approved commercial kitchen and classes on customer service in the catering industry.

There are many advantages for an entrepreneur launching in a business incubator as opposed to an office building without the same services. The first is the overall image

and identity you gain by locating within a substantial office building with high quality conference room space and the other shared utilities by incubator tenants. Additionally, access to basic infrastructure such as internet/phone, and more specialized infrastructure such as the commercial kitchen, provide tools that would otherwise be an immense startup cost for many of these new businesses. Finally, the co-location of the startup businesses provides a community in which problems had by one business owner has most likely been experienced by another, and the open exchange of ideas and advice can occur and benefit all.

The physical building or collection of buildings a business incubator is comprised of should be strategically located, designed, and developed. Just as any successful business focuses on locating where there customer is, incubators should try to locate in a high visibility, easily accessible area that is proximate to as many local assets (such as universities or government resources) as possible. Dependent on the industries that are served within an incubator, various infrastructure and transportation access issues may need to be resolved. Manufacturing businesses or those who will be shipping goods from the incubator facility, will need road access large enough to accommodate tractor-trailers and may need loading dock access into the incubator.

The design and layout of a business incubator should be accommodating to all clients that may locate within the facility. This usually means there should be some level of flexibility in the structure of the office space. Since entrepreneurs usually don't work a standard 9-5 schedule, a common practice is to allow access to certain portions of the incubator (their office space and any shared spaces necessary) twenty four hours a day.

The Innovation Depot in Birmingham, AL is located in a former 140,000 square foot Sear store that had previously been empty for twenty years. They redeveloped this large space to both serve as a high quality office space for their clients and as a great networking and common space within the building. Features include open atriums, a café, shared meeting rooms with glass walls, and a "Main Street" corridor from the parking lot to the center of the building. The modern and open style of their incubator is attractive to the type of entrepreneur they are seeking to provide services to: innovative, modern, and open (Innovation Depot, 2013).

Program Evaluation

Collecting statistics on the impact of your business incubator is fundamental for a number of items related to the benefit and use of public or private funds to support a business incubator. The evaluations can provide evidence of the success, extent of economic impact in a locality, the effectiveness of your incubator compared to others, and can show the board of directors and incubator staff areas within the program that require further development or improvement.

A few statistics an incubator should strongly consider using for impact measurement are:

- Number of current clients
- Total number of graduates since inception
- Number of successful graduates (still in business, merged or acquired)
- Number of people employed by client and graduate firms
- Gross revenues from most recent full year of client and graduate firms

- Amount debt and equity capital raised by client and graduate firms (Colbert et al., 2010).

The William M. Factory Small Business Incubator collects company data quarterly to use for funding opportunities. Information they collect and distribute includes client company revenues, full time employees, average hourly wages of the employees, client company overhead and reinvested profits, and total business taxes. The executive director uses economic modeling software to calculate both indirect and induced economic benefits (William Factory Small Business Incubator, 2013).

In order to determine the effectiveness of programs from the viewpoint of the clients, Innovacorp annually hires a third part to survey all of their clients. Questions asked include the awareness of services the incubator provides, the quality of assistance, whether clients would recommend Innovacorp to other startups, their perception of how important and unique the incubator is to their success, and the quality and relevance of seminars and events.

Client Entrance and Exit

One of the reasons business incubators on average maintain such a high success rate stems from their ability to screen clients and monitor their success. Clients should be selected based off of a predetermined set of qualifications including viability of business, fit within the incubator, and a determination that the incubators program is in line with what the applying startup will need to succeed. Additionally, clear policies must be created to determine when it is time for a client to graduate and move out of the incubator.

There are several criteria that the advisory board or whoever review incubator client applications should consider. A more detailed list should be created that is customized to the type of incubator but the following are a good baseline for judgment:

- Viability of the business proposition
- Management team that understands the incubator is a program they must participate in and not just low cost office space
- Economic impact including job creation, capital impact, diversification of the local economy
- Determination if business is too similar to an existing incubator client
- Cashflow allows for payments to the incubator
- Likelihood of being able to graduate within incubator guidelines
- Fit within the business incubator in terms of culture and industry (Colbert et al., 2010).

One method used to pre-screen applicants to the University of Central Florida Business Incubation Program is to require a seven session, four-week course (at a cost of \$400) in order to apply to be an incubator client. The course details the basic concepts and steps for planning and operating a business. The classes serve to educate those who would be interested in moving in to the incubator, gives them a preview of the expectations the UCF incubator has of them in terms of program involvement, and serves as a weed out tool to discover those serious about starting their business. Tom O'Neal, director of the incubator states that the survival rate of incubator clients increased from

70 to 90% since they began the entrepreneurship certificate course. Finally, the course serves as a screening tool as staff of the incubator observes each of the attendees for four weeks as they develop and begin to understand quality business development practices (UCF Business Incubator, 2013).

Tracking the success (or failure) of a client throughout their lifespan is necessary to determine if changes need to be made in their business in order to graduate and remain financially sustainable. The Oregon Technology Business Center retains a self-assessment checklist to be completed by both the entrepreneur and their assigned entrepreneur in residence (EIR). Items on the list include the opportunity (what pain the product resolves for the customer), market research and analysis, quality of the management team, a competitive analysis the attainability of the business objectives and vision, the marketing plan, a review of financial statements and projections, and the funding or exit strategy of the business (Oregon Technology Business Center, 2013).

Incubators are designed to start and grow businesses to the point that they will be able to take the lessons they learned and any financial assistance received in their early formidable years and be able to graduate and relocate into the local market. Graduation can come due to time constraints or when it is seen as feasible for the business to survive on its own. Other reasons include the size constrictions of the incubator, if the business needs a stand alone location, if there is not enough room for the company's employees, reaching a certain profit level, or obtaining enough capital to graduate.

Client Services

Client services are the leading purpose of an incubator and should thus retain the highest amount of focus and effort from incubator staff and funds. The services provided to clients are a major part of the differing success rates for businesses enrolled in an incubator and startups beginning on their own. Services should be highly tailored to the clientele of an incubator and should span over several different topics and periods of time including: preincubation services, coaching and facilitation, entrepreneur education, networking, and access to capital (Colbert et al., 2010).

Many incubators will only consider a potential future client when they have shown a serious interest in starting through either class attendance, a business plan, or filling out an application. Instead of turning a cold shoulder to these businesses, the San Juan College Enterprise Center in Farmington, New Mexico provides some very basic but useful tools to these businesses at no charge. This includes the use of a temporary office space with telephone and computer, access to a library of entrepreneur resource books, one-one-one consulting with the local SBDC, free consulting with incubator staff, and enrollment in a starting your business course. The executive director has found this program to encourage those with great ideas, but limited business skills or money to begin the process and later join the incubator as a full time client (San Juan College Enterprise Center, 2013).

Mentors and coaches serve as the launching point for businesses to discuss ideas and guide the direction businesses will go. Mentors are generally industry or topic experts who provide specific advice and assistance to their protégé businesses with a strong focus on their mentor/protégé relationship. Coaches on the other hand are much more task oriented and generally serve in shorter term, task specific roles to resolve a problem a client may be dealing with. Different entrepreneurs will prefer each type of

consulting, possibly at different times in their development. The following are several best practices for both coaching and mentoring programs.

The Mississippi e-Business Innovation Center in Jackson, Mississippi, hired an outside firm to provide free and low cost coaching to its clients. “Growth Coach”, a franchise of business coaching businesses, approached the executive director to discuss using their conference room for their business. DeAnna Adams, the executive director, sought to strike a deal with Growth Coach to provide free office space in exchange for a certain number of free coaching hours to all incubator clients (Colbert et al., 2010). This program, which is immensely valuable to incubator clients, was of no cost to the incubator, aside from space usage.

The Business Incubator Center in Grand Junction, Colorado operates a mentoring program through two different sources. First, they are partnered with the local Small Business Development Center, whom they provide office space for, and they in return provide consulting services and organization of mentoring clients. Additionally, the incubator maintains a collection of retired executives from a variety of industries and topics of expertise whom provide free mentoring on a weekly basis. The combination of an SBDC and volunteers create a diverse field of mentors that can be better matched to the needs of incubator clients (Business Incubator Center, 2013).

Educational programs offer a classroom setting for client and nonclient entrepreneurs to engage in services through the business incubator. For existing clients, educational programs can train individuals in specific topics, and provide networking opportunities for other startup businesses. Nonclient entrepreneurs engaging in educational programs through the incubator will gain a better understanding of the business incubator, and potentially become full time clients in the future. Their attendance in the course can usually also serve as a revenue stream to the incubator.

Industry specific classes, or those discussing topics beyond the basic writing a business plan, human resources, or finance activities, are important to growing existing businesses within the incubator. The Rutgers Food Innovation Center, a commercial kitchen incubator, hosts classes on how to pass US Department of Agriculture inspections, and Hazard Analysis and Critical Control Point (HACCP) certification training. Lou Cooperhouse, director of the Rutgers Food Innovation Center, mentions that the classes taken by non-clients have led to the creation of several new clients for their incubator (Rutgers Food Innovation Center, 2013).

Networking within incubators can lead to both new business generation for clients and the exchange of ideas amongst entrepreneurs. The Enterprise Center of Johnson County in Lenexa, Kansas, hosts a quarterly happy hour, a two hour event with hors d’oeuvres and drinks. It is a very informal event with about 60 attendees who discuss life science industry ideas. The cost to the incubator is only about \$300-400 and is a great form of marketing within the community (Enterprise Center of Johnson County, 2013). Other incubators host more formalized or education based events that allow for similar networking opportunities.

Receiving startup capital through traditional means can be a near impossible task for many entrepreneurs. Without proven experience within an industry, or a steady stream of cashflows, many banks will deny an application for debt as the risk of failure is simply too high. Incubators should serve to fill this demand gap by providing both debt

and equity resources and capital that can kick start the growth of their client companies (Colbert et al., 2010).

Ben Franklin TechVentures in Bethlehem, Pennsylvania fills the demand gap for equity financing through a venture capital speed-dating event. In this event, 16 clients make 5-minute elevator speeches to about 6 investors individually (Ben Franklin Technology Partners, 2011). To fill the debt capital gap, the Business Incubator Center in Grand Junction, Colorado operates an in-house revolving loan fund. The fund has lent over \$13 million to 250 startup businesses in the region. Loans range from \$8,000 to \$500,000 and can be used for operating capital, capital improvements, inventory, or equipment. All interest earned on the fund goes toward the business incubator. Chris Reddin, executive director of the incubator cites how important it is to have a similar program, especially in regions where businesses have little access to venture capital (Business Incubator Center, 2013).

Appendix 2: Literature Review on Business Incubators

Business incubators are defined as entrepreneurial resources that assist in the most pivotal and vulnerable years of new companies, their start-up phase. They do this through affordable office space, technical assistance, shared business services, and other targeted resources for entrepreneurs. According to the National Businesses Incubation Association (NBIA), the main goal of business incubators is to create “successful firms that will leave the program financially viable and freestanding” (NBIA, 2009). The purpose of creating these successful graduated businesses is to bring about economic development within localities through the creation of jobs, revitalization of neighborhoods, and the creation of new industry clusters.

The true question regarding business incubators or any other resource for entrepreneurs is how effective they are at accomplishing their purpose. A recent study performed by the U.S. Department of Commerce Economic Development Administration found that business incubators are the best use of public dollars, as the benefit of jobs created per dollar cost was greater than any other type of public works infrastructure project, as seen in Figure 4 below. Incubators create 20 times more jobs than community infrastructure projects at about \$180 per job versus \$4,896 with water, sewer, or road projects (NBIA, 2009).

Table 1

Project Type	Jobs Created per \$1,000	Federal Cost per Job Created
Business incubators	46.3-69.4	\$144-\$216
Commercial structures	9.6-13.4	\$744-\$1,008
Roads & other transportation	4.4-7.8	\$1,291-\$2,293
Industrial park infrastructure	5.0-7.3	\$1,377-\$1,999
Community infrastructure	1.5-3.4	\$2,920-\$6,872

Source: Thornton, 2009

Not only are incubators a good use of public funds, they are successful at improving the odds of success for entrepreneurial ventures, which face a high probability of failure. The NBIA (2005) study found that 87% of incubator-graduated firms were still in business, which is an astonishing rate compared to the nationwide startup business success rate of about 44%. Additionally, the goal of retaining businesses graduated from incubators to promote economic revitalization is affirmed with the study finding 84% of graduated clients locating their permanent offices in the local community.

An NBIA (2005) study measured the number of businesses in North America that receive support from incubators and the financial impact of these businesses. In 2005, 27,000 startup companies providing 100,000 workers generated annual revenue of more than \$17 billion. While these numbers are impressive, it is crucial to note that these numbers can only be expected in business incubators that maintain best practices.

It is important to observe studies unrelated to the National Business Incubator Association and the Economic Development Administration in order to avoid opinion bias. Moraru and Rusei (2012) analyzed the success and impact of business incubators from an international view. Looking at the distribution of incubators across the globe, they observe the survival rate of incubated companies in the United States (85%), Europe (89%), Germany (90%), and Brazil (80%) (Moraru and Rusei, 2012). These statistics prove that the business incubator model was not only successful in terms of business success through the NBIA study, but that this success can be seen at an international scale.

Lewis (2003) compiled incubator graduate firm survival rates among several different studies with varying geographies across the United States. The results calculated varied, but the graduating firms still yielded higher success rates than those who did not graduate from an incubator program. The figure below shows results of the various studies:

Table 2

Graduate Firm Survival Rates

Study	Type of Incubator	Geography	Number in Study	Survival Rate
Lewis 2003	Technology	US	147	70-80%
RESI 2001	Technology	MD	6	70%
DiGiovanna and Lewis 1998	Technology	NJ	6	85%
Molnar et al. 1997	All Types	US	50	87%
Campbell et al. 1988	All Types	US	13	86%
Allen and Bazan 1990	All Types	PA	32	68%

Sources: Lewis (2003), RESI (2001), DiGiovanna and Lewis (1998), Molnar et al. (1997), Campbell et al (1988), Allen and Bazan (1990)

In addition to the high survival rate of businesses, further literature shows a significant economic impact on the local communities where incubators reside. This impact comes in the form of taxes paid by current clients, graduated clients and the employees of these businesses. In a study performed by RESI (2001), several localities and states observed their return on investment from incubators, as seen in the table below.

Table 3

Return of Public Investment in Business Incubation

Study	Type of Incubator	Geography	Number in Study	ROI
Molnar et al. 1997	Multiple	US	4	5 to 1
Markley & McNamara 1995	Manufacturing	Small Metro	1	1.21 to 1%
Battelle 1995	Technology	VA	1	7 to 1%
RESI 2001	Technology	MD	6	\$31.6m to \$151.9m

Sources: RESI (2001), Molnar et al. (1997), Markley and McNamara (1995), Battelle (1995)

Studies on Best Practices of Business Incubators

Lewis (2003) compiled studies from Rice and Matthews (1995), Tomatzky (1996), Campbell (1988), Clarysse (2005), Hackett (2004), Hernandez-Gantez (1995), Lichtenstein (1992), U.S. Small Business Administration (1986) and himself from 2001 to produce a list of best practices for business incubators.

The best practices for business incubation were divided into three major topics: management of the program, key entrepreneurial support services and additional key services for technology business incubation programs. These best practices are discussed below.

- Management of the Program
 - Conduct a feasibility study before starting a program
 - Develop a consensus-driven mission statement
 - Establish client entry & exit criteria
 - Collect outcome data
 - Provide networking opportunities between client firms
 - Establish effective tools to deliver support services
 - Build networks with area business services providers
 - Market the incubator beyond the entrepreneurial community
 - Embed the program in the fabric of the host community
- Key Entrepreneurial Support Services
 - Business plan writing and business basics
 - Legal assistance, including but not limited to:
 - General legal services
 - Intellectual property protection
 - Incorporation or other legal business structure
 - Import/Export requirements
 - Access to capital
 - Marketing assistance
 - Access to broadband high speed internet
 - Mentoring boards for clients with area business service providers
 - Where possible, close ties with institutions of higher education
 - Account and financial management services
 - Networking with other entrepreneurs, particularly other clients
 - Networking with area business community
 - Assistance in developing presentation skills
 - Assistance in developing business etiquette
- Additional Key Services for Technology Business Incubation Programs
 - Technology commercialization assistance
 - Access to specialized equipment and laboratories at reduced rates
 - Intellectual property management assistance

While this list is not exhaustive, it does provide a launching point for the development of a business plan for a business incubator.

Appendix 3: Kin Client Application Form



Application Form

Company name:

Contact:

Title:

Address:

Phone: _____

Email: _____

Web site: _____

Please answer the following questions (and provide the requested information) so your application can be evaluated and the appropriate support package can be developed to meet your needs.

1. Is this new business affiliated (as a subsidiary division) with an established business?

____ Yes ____ No

If yes, name of parent business: _____

2. How long have you been in the business?

3. Are you pursuing this business on a: ____ Full-Time Basis ____ Part-Time Basis ____

4. How many people (including yourself) are employed in the business?

5. At what stage of development are the products or services you wish to market through your business?

☐ Pre-Concept Stage

☐ Concept Stage

☐ Prototype Stage

☐ Saleable Products/Services Stage

☐ Other (Please specify)

6. Do you have a completed business plan for this venture? ☐ Yes ☐ No (if no, do you have a well-developed concept paper for this venture?)

☐ Yes

☐ No

If yes to either question, please submit it along with your application.

7. Do you have a management team established for this venture? ☐ Yes ☐ No

If yes, which areas of expertise does the management team possess?

☐ Prior experience with the product or service being developed by the venture

☐ Technical expertise necessary to develop the product/service

☐ Small business management expertise

☐ Operations

☐ Accounting

☐ Finance

☐ Marketing/Sales experience in the industry (or related industry) in which the product or service is to be sold

☐ Prior experience in raising capital for a new venture

8. Please provide a brief description of your industry and where your business fits.

9. Please provide a brief description of your challenges or needs (50 words or less). If you are unsure, say "unsure."

10. What are the critical business objectives for the next three (3) months?

11. In general terms, what are the business goals for year one?

12. In general terms, what are the business goals for year two?

13. Approximately how much space (offices, lab, manufacturing space, special requirements, etc.) do you require now?

Please identify the type(s) of assistance you are seeking (please check both the topic area and the urgency of your need):

	Very Urgent	Somewhat Urgent	Not Urgent
___ General Business Assistance	_____	_____	_____
___ Market Research	_____	_____	_____
___ Marketing/Sales – Domestic	_____	_____	_____
___ Marketing/Sales – International	_____	_____	_____
___ Business Plan Preparation	_____	_____	_____
___ Legal Services	_____	_____	_____
___ Intellectual Property Support (Patents, Trademarks, etc.)			
___ Contract Development and Review			
___ Corporate Formation and Support			
___ International (e.g. contract support, formation, IP, import/export)			
___ Accounting Services	_____	_____	_____
___ Financial Services	_____	_____	_____
___ Management/Operations	_____	_____	_____

	Very Urgent	Somewhat Urgent	Not Urgent
___ General Business Assistance	_____	_____	_____
___ Human Resources	_____	_____	_____
___ Management Team Development	_____	_____	_____
___ Educational Services	_____	_____	_____
___ Technical Training			
___ Business Planning			
___ Business Skills Training			
___ Other: _____			
___ Business Advocacy	_____	_____	_____
___ Product Development	_____	_____	_____
___ Access to engineers, scientists, programmers, designers, etc. to assist in product development			
___ Access to specialized components (e.g. sensors, chips, switches, transmitters, batteries, etc.)			
___ Manufacturing/Production Services			
___ Building a Prototype			
___ Solving a problem in your production process			
___ Locating a company to manufacture your product			
___ Locating equipment you can use to manufacture your product			
___ Locating a company to test your product			
___ Locating equipment you can use to test your product			
___ Financing (Debt)			
___ Financing (Equity)			
___ OTHER:			

14. Are you willing to disclose sufficient information about your business to allow our staff to properly assess your needs and develop the appropriate support package?

___ Yes ___ No

15. Do you have funds budgeted to pay for these services? ____ Yes ____ No

17. What do you hope to achieve by establishing a relationship with Kin?

DECLARATION

I declare that to the best of my knowledge the information I have provided on this form is correct and that I have not omitted any facts that may have a bearing on my application. I understand that falsification of qualifications or information may lead to dismissal of my application.

Signature: _____

Date: _____

Name (print): _____

Title: _____

Source: Long, 2012

Appendix 4: Client Handbook



Client Handbook

OVERVIEW

Kin, Atlanta's only mixed-use business incubator welcomes you the startup family. We look forward to offering the programs, services, and support necessary to successfully start, finance, and grow your business. This Client Handbook contains all necessary information for your time in Kin, including requirements, rules, and policies while your business is housed in the facility. Congratulations again on joining the Kin family, we are looking forward to working with your business from a startup through success and growth.

Sincerely,
Executive director

GETTING SETTLED

Keys

Office keys and building pass cards allowing access to client offices will be provided by Kin. Clients are not permitted to duplicate keys. Any duplicates must be requested through Kin. *Any clients wishing to install security systems for their individual offices must receive prior written approval from Kin's executive director.* Kin's executive director will obtain the ability to access any office or kitchen space within the Kin facility at any time. In the event of client losing a key card or a manual key, a \$25.00 processing fee will be charged to issue a new manual key or keycard. Please alert a Kin staff member immediately in the event of a lost or stolen key of any kind.

Telephone Service/Internet Access

Clients are required to use the Kin VOIP phone system for their telephone communications needs. Phone numbers will be provided to you and you can take these phone numbers with you when you graduate from the program. If you have an existing phone number for your company we will assist you in forwarding your existing phone number over to your new phone number. You will still use your existing phone number when dispersing your phone numbers to your customers. Please see accompanying price sheet for prices on the phone system. All phone system fees will be billed to your company through Kin.

Internet Access

Main Office – Clients are required to use Kin's Internet service. Kin's internet service is a fully firewalled off and secured network. All new activations/hookups need to be coordinated with Kin. Please contact Kin's services director to schedule your activation.

Wireless Internet Access Points

Wireless Internet Access Points are not allowed within the Kin facilities. One wireless connection point will be provided for guests and meetings that are taking place within the Kin facilities. Users of the wireless access point can obtain the current user name and password from a staff member in the Kin offices.

Mail Delivery/Mailing Address

Main Office – Mail is picked up and distributed to the Kin facility on a daily basis, Monday through Friday (excluding holidays). The United States Post Office mail carrier will place your mail directly into your assigned mailbox located in Kin services room. All outgoing mail is the responsibility of the client, including any postage. The drop box for all outgoing mail is located next to all the incoming mailboxes.

CLIENT REQUIREMENTS

Tenancy

Once a client is accepted into Kin's program, they must fulfill the following requirements:

Upon Acceptance

- The client and Kin will sign a property sub-lease agreement for Kin space being used by the client (applicable only to tenant clients, coworking clients, and commercial kitchen clients)
- The client issues a check in the amount of one (1) month's rent plus a security deposit

Monthly

- Monthly meetings will be held with a designated Kin staff member to review progress and assist in business development.
- Pay any and all monthly rents and program fees

Quarterly

- Clients shall provide:
 - Bookkeeper-prepared financial statements
 - Quarterly growth reports
 - All other issues they wish to discuss with consultants

Annually

- Clients shall provide annual growth reports to Kin

On-Going

- Clients are expected to fulfill the terms of their lease
- Clients shall provide Kin with written notice of all regular and/or special meetings of its board of directors and shall allow a Kin representative to attend such meetings
- Clients will engage in at least 3 events and/or classes quarterly

Insurance

All Kin clients need to obtain and maintain commercially reasonable general liability insurance and furnish a Certificate of Insurance as proof of coverage prior to tenancy.

All clients must also maintain any insurance required by its operations as a matter of law, including workers' compensation.

Rent

A rent check in the amount agreed upon is due on the first (1st) of each month. Kin will allow for a five (5) day grace period. Any payments received after the 5th of the month are late and will be considered a violation of the clients' lease agreement.

Performance

The mission of Kin is to create a culture and community of successful startup businesses. For this reason, clients are required to participate in formal and informal performance reviews with Kin Management. Kin will provide assistance in various business areas to clients whenever it is requested by either Kin or the client.

Graduation

The following criteria will be used in determining when a Kin client is ready to "graduate" or move out of Kin. No single criterion is used to make the decision; rather, these criteria are used as guidelines to evaluate the success of the client's business:

- The client has reached a staff level of 10 or more employees
- The client's annual sales are \$1,000,000 or more
- The client is acquired by or merges with a larger corporation
- The client makes a successful public stock offering
- The client has outgrown incubator space in terms of storage, employees, office space, or any other means

In addition to the success criteria above, a client may be asked to leave Kin for violating terms of the lease or this handbook.

Exit Procedures and Guidelines

Clients are initially offered a maximum of five (5) years occupancy at Kin. Ideally, clients are expected to be in Kin's program for a maximum of three years. However, some flexibility is allowed and a company may be offered additional time if its business model requires a longer ramp-up period.

Periodically, Kin will review the clients residing at Kin's facility in order to analyze the companies in terms of the following characteristics:

- Adequacy of the space and utilities to meet the clients' changing needs.
- Generation of employment opportunities and future outlook.
- The clients' needs for and use of Kin services.
- The clients' capacity to meet objectives as described in their business plans.
- The clients' synergy and relationship with other clients at Kin.

Kin management may require a client company to provide such information as deemed necessary by the Board of directors to ascertain and measure its development progress. Each company is required to provide such information as requested.

Exit Procedures and Guidelines (continued)

When a client notifies Kin, or alternately is notified by Kin of a pending departure from the program, Kin's staff will provide assistance to the client to help ensure a smooth and orderly transition from Kin's space to another location within the local region.

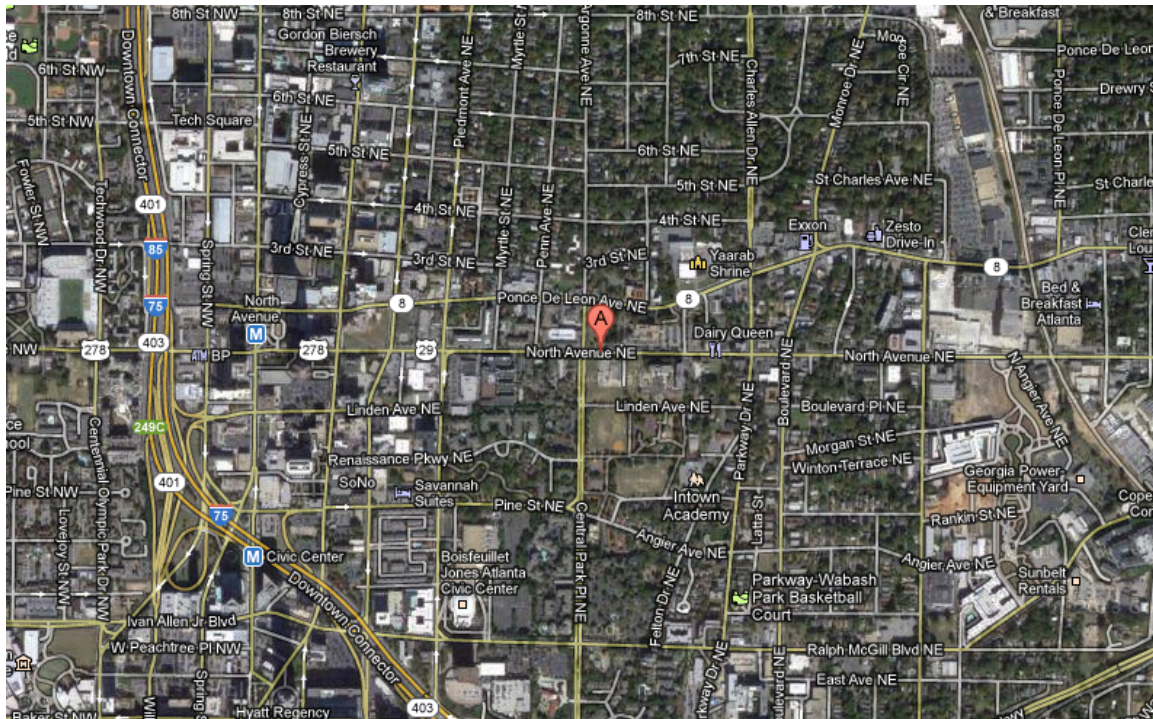
Client/Kin Affiliation

Clients are encouraged to promote their affiliation with the Kin program. However, the use of the Kin name and/or logo in any article, advertisement, brochure, or other public release requires prior written approval from the Kin executive director.

OFFICE INFORMATION AND SERVICES

Kin's Main Office

Kin's main office is located at 311 North Avenue NE Atlanta, GA 30308. The office location is displayed on the map below.



Source: Google Maps, 2013

Access to Buildings

Clients have access to the office buildings 24 hours a day, seven days a week, 365 days a year with their assigned keycards.

Holidays

Kin's annual holiday schedule is as follows:

- Martin Luther King, Jr. Birthday
- President's Day
- Memorial Day
- Independence Day
- Labor Day
- Veterans Day
- Thanksgiving Day and the following Friday
- Christmas Holiday
- New Year's Holiday

The office will be closed and no support services will be available on these days unless other notification is given. Clients, however, are welcome to use the facilities on these days.

Copier/Printer/Fax

The copier is a multi-purpose machine used for copying, scanning and printing. All new clients will be provided an access code for the machine. This code allows Kin to track the number of copies made and pages printed per client. You will be charged appropriately for copier and printing usage by page. The first 20 pages per month are free, beyond those pages it is 10 cents/black and white and 35 cents/color.

Shredder

A shredding machine is available for clients' use and is located in the same room as the copier.

FACILITIES/SECURITY

Office Space

Kin will assign office space to clients based upon availability and need. Upon the client's request, reasonable modifications to the space may be made by Kin at the client's expense. Kin is solely responsible for all facility modifications and any requests for modification should be made through Kin.

No offensive displays of any type, including those of a sexual or political nature, will be permitted in Kin space.

Office Space Relocation

Once a client has been assigned and has moved into an office, a \$200 fee will be assessed should the client choose to relocate their office to another space within Kin.

Occasionally, Kin management will reassign office space in order to best accommodate the changing needs of all clients. All costs for office relocations initiated by Kin will be covered by Kin.

Office Furnishings

Based on availability, Kin will furnish client office space with basic office furniture. Any other furniture located within Kin's offices and/or common areas may not be appropriated for individual clients' usage. Additional furnishings (i.e. desk chairs, tables, etc.) may be brought in by clients at their own expense and with Kin's approval.

Computers

Clients must provide their own computers for use in their offices and are responsible for any required maintenance or problems that occur.

Conference Room Facilities

Kin's conference room is available for client use on a first come, first served basis. The conference room's schedule and availability is accessible at the reception desk, and reservations for the space should be made through a Kin staff member. This room comfortably accommodates 10-15 people in a professional atmosphere. Available auxiliary equipment includes:

- ♦ Video conferencing equipment
- ♦ Overhead and slide projectors
- ♦ Conference telephone
- ♦ Dry-erase boards

Out of courtesy to other clients, please leave the room as you found it, returning all furniture to its original location(s), disposing of all trash and erasing the white boards.

Please ensure that all electronics are turned off after use – especially the projector.

Janitorial Services

Kin provides janitorial service for all offices and common areas including routine cleaning, refurbishment of spaces and trash removal.

Safety

Kin's Main office is equipped with fire alarm systems. When activated, the alarms sound directly to the appropriate fire department.

If the fire alarm sounds while you are in the building, please evacuate immediately!

Security

Main Office – The front entrance to the building will be locked every day Monday – Friday from 5:00 p.m until 8 a.m.. The rest of the Kin building's doors will remain locked on a 24-hour basis. You can access these doors 24 hours a day with your keycards. If you are expecting visitors during normal business hours please encourage them to use the front entrance.

BUSINESS SERVICES AND PROGRAMS

Press Releases

Kin will issue press releases at various times to publicize clients' activities. These can be written by either the client or Kin, but will require approval by Kin staff prior to distribution. Client activities prompting press releases include:

- Newly signed lease agreements
- Achievement of significant milestones:
 - ♦ Major product sale
 - ♦ Major contract secured
 - ♦ New products introduced
 - ♦ New funding secured
- Graduation from Kin

Business Development

Kin's business services will provide education and training in business subjects tailored to the needs of entrepreneurs.

Kin will regularly plan, schedule, publicize and conduct training workshops and seminars tailored to the needs of the clients located within Kin space. These workshops will be open to off-site clients and small technology-based businesses if space is available. The program will address business planning and management, business finances, social entrepreneurship, taxation, marketing, social media, and other similar business subjects.

On a scheduled basis, daytime and evening workshops, distance learning and other seminars and lectures on selected subjects and individual mentoring services will be provided. Other than occasional minor charges to cover the cost of materials issued to attendees, no fees will be assessed for workshop or seminar attendance. Most classes are expected to last between 1 and 5 hours. Presentation times will be scheduled to accommodate attendee schedules with minimum disruption to ordinary business operations.

Consulting

Consulting will be available from Kin staff for free to all clients. Please schedule the appointment with Kin staff. Consultants will provide advice and training in business issues, including:

- Business planning
- Financial analysis
- Marketing
- Social media
- Human resources
- Technology
- Bookkeeping
- Other general business issues.

Business Plan Review

Experienced counsel is available for development of new business plans, as well as analysis and revision of completed plans. Kin staff will provide recommendations in the following areas:

- Purpose of the business plan
- Components of the business plan
- Information-gathering strategies
- Sources of information
- Plan outlines
- Format for financial projections
- Review of drafts of component parts
- Critique of completed plans

Anchor Tenants/Network Service Providers

Kin retains a strong relationship with many other service providers throughout the region that provide further services to clients. These resources all offer free, sometimes limited to a maximum number of hours, services to Kin Clients. They include:

- Small Business Development Center: will provide free consulting to clients as well as low cost classes
- SCORE: provides free consulting to clients
- Legal Assistance: basic business legal services such as incorporation, business structure, import and export requirements, and intellectual property protection.
- Government Procurement: the Georgia Tech Procurement Assistance Center will help clients throughout the process of selling products and services to the government.

KIN RULES & POLICIES

To help Kin run efficiently, clients are required to comply with certain rules:

1. The kitchen appliances and common areas are provided for everyone's use. As a courtesy to others, please clean up after yourself after using these areas.
2. Canvassing, general solicitations, or distribution of political, religious, or cause literature are not permitted.
3. In general, the client will not permit unusual or loud noises and/or odors to be produced in their space if such noises/odors offend or disturb other occupants of Kin.
4. Clients will provide reasonable co-operation with Kin staff.
5. Clients will be responsible for providing supervision of any moving operations that may involve common areas of Kin, and will be liable for any losses and/or damages that result from such activities and/or from client's failure to provide such supervision. Moves will be coordinated in advance with Kin staff.
6. Leased premises shall not be used for lodging or overnight occupancy.
7. No firearms, intoxicating drugs, explosives, fireworks, flammable, radioactive, or potentially contagious/hazardous materials will be permitted in Kin without disclosure to and specific permission from Kin management.
8. Clients shall abide by all established Kin parking regulations.
9. Appropriate dress is required, be respectful of other businesses and any clients they may be meeting with.
10. As representatives of Kin, clients are expected to maintain appropriate behavior and standards at all times. Actions or behavior deemed by Kin staff to be damaging to the image or reputation of Kin will be cause for immediate termination of the lease agreement and eviction from Kin.
11. Inappropriate conduct shall include, but is not limited to, filing bankruptcy, or accommodations for the benefit of creditors, breach of leases or other agreements, charges involving moral turpitude, investigations by law enforcement officials, or any other behavior deemed inappropriate.
12. In addition to the above, clients whose offices are located within Kin's main office space shall abide by all the normal laws.

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